COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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Dear Pharmaceutical Manufacturer:

The Department of Medical Assistance Services (DMAS) successfully implemented a Preferred Drug List (PDL) for its Medicaid fee-for-service population in 2004 to address the growing need to control rising prescription drug expenditures. The PDL was developed with significant cooperation from pharmaceutical manufacturers who agreed to provide aggressive drug pricing and supplemental rebates in the design of a Virginia-specific PDL. This model has outperformed the approaches taken by many other states to date. While we understand that the Medicare Part D program has dramatically changed our utilization and spending patterns, we ask for your continued cooperation in the upcoming contracting process.

DMAS' Pharmacy and Therapeutics (P&T) Committee originally implemented Phase I PDL drug classes in January 2004. The next annual review of PDL Phase I drug classes by the P&T Committee is scheduled for October 2006. Existing contracts for PDL Phase I drug classes will end on December 31, 2006 and new contracts will begin on January 1, 2007.

The Department will seek Virginia-specific contracts for pricing and supplemental rebates directly with manufacturers. Pharmaceutical manufacturers are encouraged to provide supplemental rebate offers for consideration by the Commonwealth of Virginia. Supplemental rebate offers are being solicited for all single-source brand products in the therapeutic classes listed below:

HMG CoA Reductase Inhibitors (Statins)
Cox-2 Inhibitors
Proton Pump Inhibitors (PPIs)
Angiotensin Receptor Blockers (ARBs -- *formerly named Angiotensin Receptor Antagonists)*
Angiotensin Converting Enzyme Inhibitors (ACE Inhibitors)
Inhaled Corticosteroids
Nasal Steroids
Beta Adrenergics
COPD- Anticholinergics *(formerly included with Beta Adrenergics)*
Beta Blockers
Calcium Channel Blockers
H2 Antagonists
Second Generation Antihistamines (LSAs)
Benzodiazepine Sedative Hypnotics *(formerly included with Sedative Hypnotics)*
Other Sedative Hypnotics *(formerly included with Sedative Hypnotics)*
Electrolyte Depleters
Urinary Tract Antispasmodics
Topical Immunomodulators
Lipotropics Non-Statins: Fibric Acid
Lipotropics Non-Statins: Niacin Derivatives
Phosphodiesterase 5 Inhibitor for Pulmonary Arterial Hypertension

The Department has set the following timeline for seeking supplemental rebates:

Wednesday, September 13, 2006: Manufacturers' final supplemental rebate offers must be submitted to First Health Services by close of business. The Department expects to receive best and final offers by this date.

Monday, October 23, 2006: Meeting of the P&T Committee to review clinical information, pricing information, and to select which drugs will not require prior authorization.

Wednesday, November 1, 2006: First Health Services must receive all manufacturer-executed supplemental rebate contracts by close of business. Should the final contract not be received at this time, previous offers will be considered rescinded.

Monday, January 1, 2007: Implement prior authorization requirements for drugs that were not selected to be on the PDL.

If you have any questions regarding the PDL process, please contact pdlinput@dmas.virginia.gov. All correspondence and inquiries regarding pricing and contracting should be directed to:

First Health Services Corporation
Attention: Justin Lester
Rebate Contracting and Pricing
4300 Cox Road
Glen Allen, Virginia 23060
Phone: 804-965-7745
Email: justinlester@fhsc.com

Despite the impact of Medicare Part D on Virginia Medicaid drug expenditures, we hope that future contracts with pharmaceutical manufacturers will make it possible for the Commonwealth to continue with its Virginia-specific approach. We look forward to working with you.

Sincerely,

Patrick W. Finnerty